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**BEFORE**  
**THE PUBLIC SERVICE COMMISSION**  
**OF SOUTH CAROLINA**  
**DOCKET NO. 2009-220-C**

IN RE: Joint Application of Frontier Communications Corporation, New Communications of the Carolinas Inc., New Communications Online and Long Distance Inc., Verizon South Inc., Verizon Long Distance Inc. and Verizon Enterprise Solutions LLC for Approval of the Sale of Assets and the Transfer of Authority and Certificates

**SETTLEMENT AGREEMENT  
AND  
JOINT REQUEST FOR THE  
SOUTH CAROLINA  
PUBLIC SERVICE COMMISSION  
TO APPROVE JOINT APPLICATION**

As a result of continuing discussions between the Office of Regulatory Staff ("ORS"), the Department of Defense and Federal Executive Agencies ("DOD"), Verizon South Inc. ("Verizon") and Frontier Communications Corporation ("Frontier"), to resolve various differences, these identified parties to the above-referenced proceeding have entered into this Settlement Agreement ("Agreement"), which resolves any and all disputes or contested issues with regard to the Joint Application filed by Verizon and Frontier ("Joint Application") for approval in this proceeding by the South Carolina Public Service Commission (the "Commission").

The specific terms of this Agreement among the above-identified parties include the following:

1. After all necessary regulatory approvals have been obtained and the transaction is closed, Frontier will file on a quarterly basis with the Commission and ORS the information identified below and agrees that such information will be immediately available to the public on the ORS website for the first two years after such closing. During the first two years after closing, Frontier will submit to the Commission and to ORS on a quarterly basis the following six Federal Communication Commission ("FCC") Service Quality Indicators as included in the FCC 43-05 Reports: (1) installation interval (days); (2) percentage local installation commitments not met; (3) trouble reports per month per hundred lines; (4) complaints to regulatory agencies; (5) repeat out-of-service trouble reports as a percentage of initial out-of-service trouble reports; and (6) out-of-service repair interval (hours). During the first two years after closing, Frontier also will submit to the Commission and to ORS on a quarterly basis the five South Carolina Standards for Telecommunication Services service quality reports that Verizon South Inc. currently is required to submit to the Commission and ORS today. The ORS has agreed to make public the information submitted by Frontier in accordance with this Agreement and immediately place such information on the ORS website. At the conclusion of the first two-year quarterly submission process, Frontier has agreed that it will submit to the Commission and the ORS all

such information identified in this Agreement and that the ORS will post such information on its website on a yearly basis for the following three years.

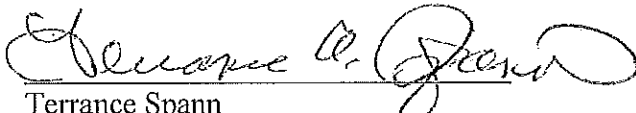
2. In addition to the above-referenced FCC Service Quality Indicators and South Carolina Standards for Telecommunication Services, Frontier also agrees to submit in the same report referenced in paragraph 1, above, the quarterly dividend and net income figures for Frontier Communications Corporation. ORS has agreed to include and publish such information in the quarterly reports required for the first two years of this Agreement and in the yearly reports for the following three years on the website.
3. In addition to the information identified in paragraphs 1 and 2, above, ORS has agreed to collect and report on the number of Service Quality/Performance Consumer Complaints. Such information will be reported on the ORS website on a quarterly basis for the first two years of this Agreement and on a yearly basis for the following three-year period.
4. If ORS determines, after appropriate notice and communication with Frontier, that Frontier is not maintaining and achieving satisfactory performance results, ORS at its sole discretion may petition the Commission to institute an expedited proceeding to examine any allegations of inadequate service quality. Frontier agrees that it will not oppose the initiation of such a proceeding by ORS with the Commission


as long as ORS has first given Frontier a reasonably opportunity to correct such alleged problems prior to any filing with the Commission.


5. In addition to paragraphs 1 through 4 above, the above-referenced parties agree that they will advise the Commission during the scheduled hearing set for August 27, 2009, at 2:30 p.m., that they request the Commission approve the Joint Application and that the Commission's approval of this Agreement resolves any and all issues otherwise identified in any pre-filed or reply testimony. The parties have agreed they will place their direct and reply testimony into the record before the Commission and that each witness will provide the Commission with a summary of their testimony. The parties have agreed that each witness placed on the stand by the above-referenced parties will confirm that the approval of this Agreement resolves all outstanding issues and contentions and will request that the Commission approve both the Agreement and the Joint Application as filed jointly by Verizon and Frontier. The parties have expressly agreed that the Commission should have the opportunity to ask any questions they might have of any witness placed on the stand by any party. In consideration for this Agreement, the above-referenced parties have agreed that they will not seek to cross-examine any of the parties' witnesses in a joint effort to expedite the hearing conducted by the Commission.

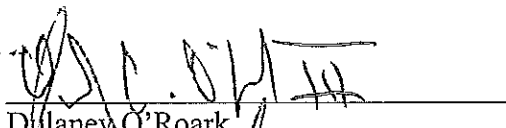
This Agreement includes all of the terms and conditions negotiated by and among the parties and represents a joint effort to consider and finally resolve various concerns raised by DOD and ORS. The parties to this Agreement, as reflected by the signatures attached below, respectfully request the Commission approve this Agreement and approve the Joint Application as soon as reasonably possible. The below-referenced counsel respectfully request that this Agreement be included in the record in the above-referenced proceeding.


Respectfully submitted this 27<sup>th</sup> day of August, 2009

  
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Counsel for DOD and FEA

  
Nanette Edwards  
Counsel to ORS

  
Kevin Saville,  
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